

HCS SS SB 694 -- PAYDAY LOANS

SPONSOR: Cunningham (Dugger)

COMMITTEE ACTION: Voted "Do Pass" by the Committee on Financial Institutions by a vote of 15 to 1.

This bill changes the laws regarding unsecured loans of \$500 or less, commonly known as payday loans. In its main provisions, the bill:

- (1) Increases the annual licensing fee from \$300 to \$500 per location;
- (2) Specifies that returned check costs are collection expenses and not to be considered a fee or charge;
- (3) Requires a lender to conspicuously post the fee that is currently being charged in terms of dollars charged per \$100 loaned;
- (4) Repeals provisions allowing for a renewal of a payday loan but allows a lender to permit a borrower to use an extended payment plan (EPP) that, at a minimum:
 - (a) Prohibits the borrower from entering into more than one EPP in a 12-month period with the same lender;
 - (b) Requires the borrower to agree in a signed written agreement to repay the amount in four equal installments or less over an aggregate term of 60 days or less if the borrower receives bi-monthly paychecks or an aggregate term of 120 days or less if the borrower receives monthly paychecks. Interest must not accrue during the term of the EPP;
 - (c) Allows a borrower to prepay an EPP in full at any time without penalty, but a lender must have the right of acceleration upon failure of a borrower to pay the amount owed when due;
 - (d) Prohibits a lender from extending an additional loan until an EPP is paid in full;
 - (e) Requires a lender to conspicuously post in the office lobby a notice that the borrower may participate in an EPP and that brochures are available at the counter containing the terms and conditions of the program; and
 - (f) Requires a borrower to enter into the agreement on the day before the due date of the loan by signing an amendment to the

original agreement reflecting the new payment schedule;

(5) Prohibits additional interest or fees being charged if a borrower fails to make full payment upon the expiration of the original loan or EPP;

(6) Requires a lender that offers a payday loan through the Internet to be licensed and to comply with specified provisions as all other lenders unless compliance is preempted by federal law;

(7) Requires a lender to implement procedures to inform consumers of the intended use of the payday loan as specified in the bill;

(8) Reduces the maximum amount of accumulated interest and fees a borrower can be required to pay from 75% to 35% of the original loan amount;

(9) Prohibits a lender from threatening or causing to be instigated criminal proceedings against a borrower if a check given as security for a loan is dishonored, except where the borrower closes an account or stops payment on a check. Any lender that knowingly does so must pay the affected borrower three times the amount of the dishonored check;

(10) Requires lenders to comply with the federal Fair Debt Collection Practices Act regarding harassment or abuse, false or misleading misrepresentations, and unfair collection practices; and

(11) Requires the Division of Finance within the Department of Insurance, Financial Institutions and Professional Registration to report required information on payday loans to the General Assembly annually instead of the current biennial reporting requirement.

PROPOSERS: Supporters say that even though these provisions will be damaging to payday loan companies, the need for regulation is past due and welcome.

Testifying for the bill were Senator Cunningham; QC Financial Services; Check into Cash; Advance America, Cash Advance Centers, Inc.; and Community Choice Financial, Inc.

OPPOSERS: Those who oppose the bill say that payday loans are ruining people's lives. People have lost their homes, cars, and even children because of these loans. The bill does not go far enough. The interest rate needs to be the same as it is for military families which is 36%.

Testifying against the bill was Michelle Scott-Huffman, Missouri Faith Values.